



COMMODITY FUTURES TRADING COMMISSION
QUARTERLY PERFORMANCE REVIEW

FIRST QUARTER, FY 2000



QUARTERLY PERFORMANCE REVIEW FIRST QUARTER, FY 2000

CONTENTS OVERVIEW

Purpose: *The Quarterly Performance Review provides narrative and statistical information regarding how well the CFTC is performing its mission to protect market users and the public from fraud, manipulation, and abusive trading practices related to the sale of commodity futures and options, and to foster open, competitive, and financially sound commodity futures and option markets.*

Part I: Commission Resources

Summary of FY 2000 Commission Funding—By Agency Goal & Outcome Objective	4
Division Staffing Distribution by Outcome Objective	5

Part II: Priorities & Accomplishments

Summary of Division Priorities By Agency Goal: <i>Upcoming Second Quarter, FY 2000</i>	7
Division Priorities By Agency Goal: <i>Upcoming Second Quarter, FY 2000</i>	9
Summary of Division Accomplishments By Agency Goal: <i>First Quarter, FY 2000</i>	15
Division Accomplishments By Agency Goal: <i>First Quarter, FY 2000</i>	16

Part III: Annual Performance Statistics

Summary of Commission Outreach Efforts	27
Analysis of Annual Performance Statistics by Agency Goal: <i>First Quarter, FY 2000</i>	28

Part I: Commission Resources

Summary of FY 2000 Commission Funding

By Agency Goal & Outcome Objective

	FY 2000 \$ (000)
Outcome Objective by CFTC Goal	
GOAL ONE: Protect the economic functions of the commodity futures and option markets.	
Outcome Objectives	
1.1 Foster futures and option markets that accurately reflect the forces of supply and demand for the underlying commodity and are free of disruptive activity.	\$11,252
1.2 Oversee markets which can be used effectively by producers, processors, financial institutions and other firms for the purposes of price discovery and risk shifting.	1,015
Subtotal Goal One	\$12,267
GOAL TWO: Protect market users and the public.	
Outcome Objectives	
2.1 Promote compliance with and deter violations of federal commodities laws.	\$15,967
2.2 Require commodities professionals to meet high standards.	1,626
2.3 Provide a forum for effectively and expeditiously handling customer complaints against persons or firms registered under the Act.	1,497
Subtotal Goal Two	\$19,090
GOAL THREE: Foster open, competitive, and financially sound markets.	
Outcome Objectives	
3.1 Ensure sound financial practices of clearing organizations and firms holding customer funds	\$2,596
3.2 Promote and enhance effective self-regulation of the commodity futures and option markets.	7,935
3.3 Facilitate the continued development of an effective, flexible regulatory environment responsive to evolving market conditions.	2,934
3.4 Promote markets free of trade practice abuses.	2,735
Subtotal Goal Three	\$16,200
Unallocated	
Unallocated & Prorated ¹	15,204
Subtotal Unallocated	\$15,204
TOTAL	\$62,761

¹ Unallocated & Prorated refers to those resources supporting the offices of the Chairman and the Commissioners (with the exception of the Office of International Affairs), the Offices of the Executive Director (with the exception of certain activities of the Office of Information Resources Management); and a very small portion of resources in the Office of the General Counsel. The resources are not originally allocated to a specific strategic goal because, for the most part, the work performed by these offices provides common support across all strategic goals.

Division Staffing Distribution by Outcome Objective
FY 2000
in Full-Time Equivalent (FTE) Hours

Outcome Objective by CFTC Goal	FY 2000 FTEs
GOAL ONE: Protect the economic functions of the commodity futures and option markets.	
Outcome Objectives	
1.1 Foster futures and option markets that accurately reflect the forces of supply and demand for the underlying commodity and are free of disruptive activity.	112.32
1.2 Oversee markets which can be used effectively by producers, processors, financial institutions and other firms for the purposes of price discovery and risk shifting.	11.15
Subtotal Goal One	123.47
GOAL TWO: Protect market users and the public.	
Outcome Objectives	
2.1 Promote compliance with and deter violations of federal commodities laws.	134.96
2.2 Require commodities professionals to meet high standards.	13.77
2.3 Provide a forum for effectively and expeditiously handling customer complaints against persons or firms registered under the Act.	13.00
Subtotal Goal Two	161.61
GOAL THREE: Foster open, competitive, and financially sound markets.	
Outcome Objectives	
3.1 Ensure sound financial practices of clearing organizations and firms holding customer funds	21.98
3.2 Promote and enhance effective self-regulation of the commodity futures and option markets.	71.03
3.3 Facilitate the continued development of an effective, flexible regulatory environment responsive to evolving market conditions.	25.54
3.4 Promote markets free of trade practice abuses.	23.90
Subtotal Goal Three	142.45
Unallocated	
Unallocated & Prorated	133.00
Subtotal Unallocated	133.00
TOTAL	561.00

Part II: Priorities & Accomplishments

Summary of Priorities by Agency Goal: Upcoming Second Quarter, FY 2000***Goal One: Protect the economic functions of the commodity futures and option markets.***

Division/Office	Priority Items
Trading & Markets	Proposed Amendment to Regulation 1.41 – Rule Review Procedures Merchants' Exchange of St. Louis FutureCom Cantor Financial Futures Exchange Block Trading Proposal
Economic Analysis	Large Trader Reporting Rule Change Procedures Staff Task Force on Regulatory Reform Regulatory Issues of Single Stock Futures Evaluation of Alternative Execution Procedures in Futures Markets
Enforcement	Due to the confidential nature of its work, the Division of Enforcement does not list its priorities for the upcoming quarter. See the <i>Accomplishments</i> section for recent work completed by the Division of Enforcement.
General Counsel	Regulatory and Legislative Matters Exemption from Registration for Commodity Trading Advisors
Executive Director	Systems Development Projects
International Affairs	Memorandum of Understanding with UK Market Authorities
Legislative & Intergov'tal Affairs	Legislative Support Activities Liaison Activities

Goal Two: Protect market users and the public.

Division/Office	Priority Items
General Counsel	Opinions Litigation
Enforcement	Due to the confidential nature of its work, the Division of Enforcement does not list its priorities for the upcoming quarter. See the <i>Accomplishments</i> section for recent work completed by the Division of Enforcement.

Goal Three: Foster open, competitive, and financially sound markets.

Division/Office	Priority Items
Trading & Markets	Regulatory Reform: – Denomination of Customer Funds and Location of Depositories Regulation 1.59 – Insider Trading Restrictions Automated Trading Systems Electronic Signature Hedge Fund Reporting CTA and CPO Performance Reporting and Disclosure Issues Comex Gold Options Review Griffin Trading Company Bankruptcy CPOs and CTAs
Enforcement	Due to the confidential nature of its work, the Division of Enforcement does not list its priorities for the upcoming quarter. See the <i>Accomplishments</i> section for recent work completed by the Division of Enforcement.
International Affairs	International Organization of Securities Commissions (IOSCO) International Initiatives Information Sharing

COMMODITY FUTURES TRADING COMMISSION: QUARTERLY PERFORMANCE REVIEW

	International Regulators Meeting Technical Assistance
--	--

<i>All Goals</i>		
<i>Division/Office</i>	<i>Priority Items</i>	
Executive Director	Task Force on Regulatory Reform Intranet Systems Reengineering Projects Long Range IRM Planning Technology Advances	Special Events and Training Human Resources Initiatives Policies and Procedures Reporting Budget

Division Priorities by Agency Goal: *Upcoming Second Quarter, FY 2000*

<i>Goal One: Protect the economic functions of the commodity futures and option markets.</i>
--

Division of Trading & Markets—Goal One Priorities:

Proposed Amendment to Regulation 1.41 – Rule Review Procedures. As part of an ongoing program of regulatory reform, the Commission proposed to revise its procedures for the review of contract market rules and rule amendments. Subject to stated conditions, the proposed Regulation 1.41(z) would permit contract markets to place new rules and rule amendments into effect on the business day following their submission to and receipt by the Commission. Although the form and content requirements for Regulation 1.41(z) rule filings would be more abbreviated than those for rule filings pursuant to Regulations 1.41(b) or 1.41(c), the Commission would retain its authority under Section 4(d) of the Act and other relevant provisions to conduct investigations, to gather information, and generally to oversee the contract market's adherence with the requirements and conditions of the Act. Proposed Regulation 1.41(z) was published for 60 days of public comment on November 26, 1999 (64 FR 66428).

Merchants' Exchange of St. Louis – The Commission expects to publish for public comment an application from the Merchants' Exchange of St. Louis, L.L.C. (MESL) for designation as a contract market for the automated trading of deliverable Illinois Waterway and St. Louis Harbor barge rate futures contracts on an electronic trading system. MESL has not previously been approved by the Commission as a contract market in any commodity. MESL has reached an agreement with the Board of Trade Clearing Corporation to provide all clearance and settlement functions. The National Futures Association (NFA) would perform several of MESL's required regulatory functions.

FutureCom – FutureCom's application for designation as a new contract market for the automated Internet-based trading of live cattle and stock index futures and option contracts is pending. The Division anticipates that it will soon inform FutureCom by letter that it has received materials which address previously open issues, that there is an adequate record in support of the proposal, and that the stay of the proposal is lifted. Staff is in the final stage of preparing a recommendation to the Commission.

Cantor Financial Futures Exchange Block Trading Proposal – The Division is currently considering a proposal from the Cantor Financial Futures Exchange, Inc. (CX) to establish block trading procedures at CX. Under the proposed procedures, qualified market participants would be allowed to negotiate and arrange futures transactions of a minimum size bilaterally away from the centralized, competitive market. Once the specific terms of the block transaction had been agreed to, the counterparties would report the relevant details of the transaction to the Exchange for clearing and settlement. CX's proposal is the first contract market proposal that the Commission has received that would allow block trading. The Commission published CX's proposal for public comment in the *Federal Register* on October 7, 1999 (64 FR 54620). The comment period for the proposal closed on October 22, 1999.

Division of Economic Analysis—Goal One Priorities:

Large Trader Reporting – Staff will continue to work with the Office of Information Resources Management to improve the performance of the new client-server surveillance system. This will remain a significant resource commitment for the remainder of the calendar year. Division staff will rewrite software to produce all public reports in the new system.

Rule Change Procedures – Proposed revisions to the expedited rule approval procedures were published in the *Federal Register* on July 15, 1999 (64 FR 38159). The proposal will be reconsidered in light of a broader notice of rulemaking.

Staff Task Force on Regulatory Reform – The staff task force continues to conduct a thorough review and analysis of the regulatory structure of the futures and option industry with the goal of

updating Commission regulation of the industry. Through its analysis, the task force has identified a number of areas where Commission rules can be modified to better encourage competition between exchanges and reduce the regulatory burden placed on the industry. The task force is recommending that a number of the current regulations be replaced with sets of core principles that would be applied to the various functions performed in the industry. In addition, the regulatory structure would be reworked to oversee the operations of different types of exchanges. Under the proposal, the core principles applicable to different types of exchanges would be tailored to suit the types of commodities and individuals that trade on the exchange. The regulatory structure would also be designed to allow certain exchanges to opt into a regulatory structure. The task force will discuss and collect comments on the proposed regulatory structure and expects to draft new rules for publication in the *Federal Register*.

Regulatory Issues of Single Stock Futures – Research Section staff will examine the regulatory and economic issues associated with trading in single stock futures and provide an analysis to Division of Trading and Markets staff on feasible margin requirements for selected stocks.

Evaluation of Alternative Execution Procedures in Futures Markets – The Research Section will conduct studies examining market integration and fragmentation issues; evaluation of advantages and disadvantages of open-outcry versus electronic trading systems; and the economics of block trading.

Office of the General Counsel (OGC)—Goal One Priorities:

Regulatory and Legislative Matters – As the Commission's chief legal advisor, OGC will advise the Commission concerning proposed legislation to amend the CEA and other legislative and regulatory matters.

Exemption from Registration for Commodity Trading Advisors – OGC will recommend that a final rule be adopted that exempts from registration requirements certain commodity trading advisors that provide advice by means of media such as newsletters, Internet web sites, and non-customized computer software. The Commission published a Notice of Proposed Rulemaking in the *Federal Register* on December 7, 1999 (64 FR 68,304).

Office of the Executive Director (OED)—Goal One Priorities:

Systems Development Projects – The Office of Information Resources Management (OIRM) will complete the port of the Exchange Database System to client/server.

Office of International Affairs (OIA)—Goal One Priorities:

Memorandum of Understanding with UK Market Authorities – OIA will respond to comments received at the beginning of the quarter from United Kingdom (UK) authorities on a draft MOU with relevant UK market authorities that will facilitate the sharing of warehouse information.

Office of Legislative and Intergovernmental Affairs (OLIA)—Goal One Priorities:

Legislative Support Activities – Staff will monitor legislative initiatives and advise the Commission and its staff about proposals that may affect the Commission, the Commodity Exchange Act, or the administrative responsibilities of the agency. OLIA staff will pay particular attention to: (1) issues, hearings, and legislation related to the reauthorization of the Commission and reform of the CEA; (2) bills providing appropriations for the Commission; and (3) other legislation which may affect the agency in the performance of its mission.

Liaison Activities – OLIA will continue to meet with Congressional staff to keep them informed of Commission actions. Where appropriate, staff will organize briefings for Congressional staff. OLIA will continue to help the Commission respond to requests from the General Accounting Office and other Federal agencies.

Division Priorities by Agency Goal: *Upcoming Second Quarter, FY 2000*

<i>Goal Two: Protect market users and the public.</i>

Office of the General Counsel—Goal Two Priorities:

Opinions – OGC will advise the Commission on the resolution of pending administrative enforcement and reparations appeals and appeals from disciplinary decisions of self-regulatory organizations.

Litigation – During the quarter, OGC will defend the Commission in at least one appeal to the United States Courts of Appeals of an enforcement case, *Slusser v. CFTC*, No. 99-2947 (7th Cir.). OGC will defend the Commission in at least seven other appeals to the United States Court of Appeals, including *Great Plains Coop v. CFTC*, No. 99- 2268NEL (8th Cir.); *CFTC v. Trinity Financial Group, Inc.*, No. 92-06832 (11th Cir.); *First American Discount Corp. v. CFTC*, No. 99-1098 (D.C.Cir.); *Tucker, et al. v. CFTC*, Nos. 99-4084, 4085, 4086 and 4087 (2d Cir.); *CFTC v. Blitz*, No. 99-4143 (7th Cir.); *Commodity Trend Service v. CFTC*, No. 99-4142 (7th Cir.); and *CFTC v. Taucher*, No. 99-5293 (D.C. Cir.). OGC also will continue to represent the Commission in at least four cases against it pending in United States District Courts, including *Agora, Inc. v. Born*, No. 98-3453 (D. Md.); *Huber v. CFTC*, No. 99-CV2707 (D.D.C.); *Radcliffe v. CFTC*, No. 2:00-cv-34 (E.D. Tenn.); and *Schroeder v. Rainer*, No. 99-10330 (S.D.N.Y.).

OGC will continue its representation of the Commission in bankruptcy proceedings involving Commission registrants, including *In re Griffin Trading Co.*, No. 98-41742 (Bankr. N.D. Ill.); *In re Buckeye Countrymark, Inc.*, No. 97-34911 (Bankr. S.D.Ohio); and *In re Oscar Klitin*, No. 99-880001 (Bankr. E.D.N.Y.).

Division Priorities by Agency Goal: *Upcoming Second Quarter, FY 2000*

Goal Three: Foster open, competitive, and financially sound markets.

Division of Trading & Markets—Goal Three Priorities:

Regulatory Reform – The Division will evaluate regulatory reform proposals identified by the Commission, the industry, and other interested persons and will identify additional areas where regulations can be modernized and streamlined. One specific issue the Division will address is:

- ***Denomination of Customer Funds and Location of Depositories.*** The Commission published a concept release on December 30, 1997, to obtain the views of the public on how to address the risks related to holding segregated funds offshore or in foreign currencies (62 FR 67841). Division staff are engaged in informal discussions with industry participants concerning a proposed rule.

Regulation 1.59 – Insider Trading Restrictions. On December 28, 1999, the Commission published a proposal to amend Commission Regulation 1.59 which addresses various trading prohibitions imposed on persons associated with self-regulatory organizations (SROs) (64 FR 72587). The comment period for the proposal will end January 27, 2000.

Automated Trading Systems – The staff will evaluate requests for no-action relief filed by the London Securities and Derivatives Exchange (OMLX), the Hong Kong Futures Exchange, and Eurex CH with respect to access to their automated trading systems from within the U.S.

Electronic Signature – On August 30, 1999, the Commission published a proposed rule to permit customers to use an electronic signature in lieu of a handwritten signature whenever the latter is now required under the Commission's rules (64 FR 47151). The staff intends to recommend to the Commission a final rule concerning electronic signatures.

Hedge Fund Reporting – In response to a recommendation of the President's Working Group on Financial Markets, staff drafted a proposed rule which would require all persons trading commodity interests in certain large pools to file quarterly reports and reports of material events affecting such pools. In connection with the President's Working Group Steering Committee, staff has begun to draft a Federal Register release.

CTA and CPO Performance Reporting and Disclosure Issues – On August 2, 1999, the Commission published a proposed rulemaking regarding CTA and commodity pool rate-of-return and disclosure issues (64 FR 41845). Comments on the proposed rule were received and staff is now preparing a final rulemaking.

Comex Gold Options Review – In the second quarter, the Division will issue a review of trading in Comex gold options on September 28, 1999. On that date there was unprecedented trading volume in Comex gold options which resulted in significant problems being experienced in the execution and clearing and settlement of customer orders. The review will set forth the relevant facts and include analysis and recommendations for steps to be taken by the Exchange.

Griffin Trading Company Bankruptcy – The Division is continuing to assist in the resolution of the Griffin Trading Company bankruptcy and to review the audit, control, and other issues raised by these events.

CPOs and CTAs – The Commission has proposed amendments to Rule 4.7 that would add categories of persons to the definitions of the terms "qualified eligible participant" (QEP) and "qualified eligible client" (QEC) for publication and comment in the *Federal Register*. (65 FR 11253). CPOs operating pools with only QEPs as participants are subject to fewer requirements in the areas of disclosure, recordkeeping, and reporting than is the case for pools with non-QEP participants and CTAs have fewer disclosure and recordkeeping requirements with respect to accounts of QECs than for accounts of non-QECs.

The staff recommended adding to those entities considered not to constitute commodity pools under Rule 4.5 employee benefit plans defined as "church plans" under the Employee Retirement Income Security Act of 1974 (ERISA) (65 FR 10939).

Office of International Affairs—Goal Three Priorities:

International Organization of Securities Commissions (IOSCO) – OIA will continue to coordinate Commission activities within IOSCO and its Technical Committees, including: completion within Working Party 2 on Secondary Markets (WP2) of the development of principles for the oversight of cross-border electronic systems; completion of work on a regulatory survey measuring international compliance with IOSCO Core Regulatory principles; work of a joint IOSCO-CPSS (Committee on Payment and Settlement Systems) Task Force on settlement systems; and work of the former IOSCO Internet Task Force.

International Initiatives – OIA will continue to provide comment and guidance upon request to U.S. Treasury staff regarding Financial Stability Forum and other initiatives to strengthen global financial architecture.

Information Sharing – OIA will continue to work on information sharing arrangements for regulatory purposes with Italian and French authorities.

International Regulators Meeting – OIA will organize the International Regulators meeting at Boca Raton.

Technical Assistance – OIA will continue to organize technical assistance activities, including completion of a memorandum of understanding for technical assistance with Russian regulatory authorities.

Division Priorities by Agency Goal: *Upcoming Second Quarter, FY 2000*

<i>All Goals</i>

Office of the Executive Director—All Goals:

Task Force on Regulatory Reform – A Commission-wide staff task force will draft proposed rules designed to implement a new regulatory structure.

Intranet – OED will continue development and implementation of new features of the Commission's Intranet. Development of the Commission's new document management system will continue throughout the quarter.

Systems Reengineering Projects – OIRM will complete the port of the Commission's Exchange Database System to client/server.

Long Range IRM Planning – OIRM will complete the CFTC Five-Year Plan for Information Resources Management. OED is working with Electronic Data Systems to conduct a comprehensive assessment of OIRM's mission, organization, staffing, and funding to ensure that the Commission is well-positioned to meet future technology demands. This external assessment will provide an objective analysis of current systems and activities, identify strengths and weaknesses, and make recommendations to improve systems, operations, management, and staffing.

Technology Advances – OIRM will deploy equipment to upgrade the Washington, New York, and Chicago local area networks to 100,000,000 bit per second capacity. OFM will complete the upgrade of Travel Manager, the agency's travel management system, to a web-based version which will be easier to use and provide faster processing time.

Special Events and Training – The Office of Human Resources (OHR) will continue implementation of the Commission's FY 2000 Training Plan, including the Management Training Program Nuts and Bolts sessions and the Industry/Legal/Technical Training Program. OHR and the Federal Women's Program will sponsor a Stress Management workshop in the New York Regional Office. Orientation and supervisors' training in the Commission's new Employee Assistance Program will be provided for staff in Washington, Los Angeles, and New York.

Human Resources Initiatives – OHR will continue to implement the CFTC-wide recruitment plan for FY 2000. OHR will finalize the Grievance and Alternative Dispute Resolution, and Merit Promotion instructions and will continue to incorporate alternative dispute resolution in the early stages of conflict and expand its use in agency programs. OHR will continue its educational outreach efforts through increasing use of the Commission's Intranet to make training materials available, and through employee assistance counseling and referral information.

Policies and Procedures – The Office of Administrative Services (OAS) will institute additional security measures for the Commission, including the improvement of operational security procedures and the installation of duress buttons for use by staff to call for help in emergency situations. The duress buttons will automatically transmit a call for help to local authorities from Commission reception areas.

Reporting – OHR will submit its annual report to the Office of Personnel Management on Work Years and Personnel Costs. OHR also will submit to OPM the Commission's Delegated Examining Unit Report and implement recommended changes.

Budget – The first report to Congress on the results of the Commission's FY 1999 Annual Performance Plan is due March 31, 2000. Meetings will be held with Congressional Appropriations Committee staff in March to discuss the FY 2001 President's Budget.

Summary of Accomplishments by Agency Goal: First Quarter, FY 2000

Goal One: Protect the economic functions of the commodity futures and option markets.	
Division/Office	Areas of Accomplishment
Economic Analysis	Contract Market Designations Agricultural Trade Options Large Trader Reporting New Contract Listing Process Rule Change Procedures
Office of the Executive Director	Systems Reengineering Projects
Legislative & Intergov'tal Affairs	Legislative Support Activities Liaison Activities
Enforcement	Trade Practice Fraud

Goal Two: Protect market users and the public.	
Division/Office	Areas of Accomplishment
General Counsel	Commission Opinions and Orders Litigation
Enforcement	Fraud Illegal Instruments Cooperative Enforcement Statutory Disqualification Cases

Goal Three: Foster open, competitive, and financially sound markets.	
Division/Office	Areas of Accomplishment
Trading & Markets	Regulation 1.59 – Insider Trading Restrictions Automated Trading Systems Automated Purchase and Sale of Electricity
Enforcement	Trade Practice Fraud International Cooperation
International Affairs	International Organization of Securities Commissions (IOSCO) International Initiatives Technical Assistance

All Goals	
Division/Office	Areas of Accomplishment
Executive Director	Year 2000 Preparedness Systems Development Intranet Migration of Commission FMS Budget and Annual Performance Plan (APP) Special Events and Training Human Resources Initiatives Policies and Procedures Reporting Records Management Technology Advances Contracts

Division Accomplishments By Agency Goal: *First Quarter, FY 2000*

<i>Goal One: Protect the economic functions of the commodity futures and option markets.</i>
--

Division of Economic Analysis—Goal One Accomplishments:

Contract Market Designations – The Commission approved seven designation applications this quarter, including the Chicago Board of Trade Dow Jones transportation and utility stock index futures and options; the Commodity Exchange, Inc. Eurotop 300 future and option; and the New York Mercantile Exchange mid-Columbia electricity future. The New York Mercantile Exchange electricity future was deemed approved under the Commission's fast-track procedures.

Agricultural Trade Options – On December 6, 1999, the Commission published a notice of final rulemaking in the *Federal Register* (64 FR 68011) amending the Commission's agricultural trade option rules. Under these amendments, cash settlement and offset or cancellation of agricultural trade options is permitted. These amendments also eliminate the transaction-specific summary disclosure statement, revise the summary disclosure statement provided to customers when opening an account, and streamline the registration requirements for agricultural trade option merchants and their sales agents and certain reporting and recordkeeping requirements. These final rule amendments will become effective on February 4, 2000.

Large Trader Reporting – The new Integrated Surveillance System (ISS), using client-server software, was put into production in December 1999, replacing the old mainframe system. DEA Surveillance staff and OIRM staff continue to modify the new system to improve its performance.

New Contract Listing Process – The Commission adopted a new Rule 5.3 permitting exchanges to list contracts for trading without Commission approval. The new rule will become effective January 25, 2000.

Rule Change Procedures – Proposed revisions to the expedited rule approval procedures were published in the *Federal Register* on July 15, 1999. The comment period ended on August 16, 1999.

Office of Executive Director—Goal One Accomplishments:

Systems Reengineering Projects – As noted above, in December 1999, DEA began to use the reengineered ISS to conduct market surveillance in place of the mainframe-based system.

Office of Legislative & Intergovernmental Affairs—Goal One Accomplishments:

Legislative Support Activities – Throughout the quarter, OLIA coordinated Commission testimony and written submissions to Congress in support of appropriations for FY 2000. On October 22, 1999, the bill for the Commission's FY 2000 appropriations was signed into law. The Gramm-Leach-Bliley Act, which had been monitored by OLIA as financial services modernization legislation, was signed into law by President Clinton on November 12, 1999. OLIA continued to coordinate the Commission's comments on the proposed reform of the nation's bankruptcy laws; this legislative issue remains unfinished. Finally, OLIA coordinated the Commission's efforts in support of reauthorization.

Liaison Activities – In the first quarter of FY 2000, the President's Working Group on Financial Markets produced a report and recommendations on over-the-counter derivatives. OLIA coordinated providing information to Congress on that report. OLIA continued to provide liaison for the Commission with GAO, including studies on electronic trading and reform of the Shad-Johnson Accord.

Division of Enforcement—Goal One Accomplishments:

Trade Practice Fraud – The Division has continued to pursue actions that address specific types of fraudulent trade practices that affect the interests of customers and the integrity of futures markets.

CFTC v. Goldinger, No. 99-11543 WMB (C.D.Cal. filed Nov. 9, 1999).¹ In November 1999, the Commission filed a five-count civil injunctive action against introducing broker (IB) Capital Insight Brokerage, Inc. (Capital Insight) and its president, owner, and associated person (AP), S. Jay Goldinger. The complaint alleged that Goldinger and Capital Insight violated the anti-fraud, registration, and record-keeping provisions of the Act and Commission regulations in connection with a fraudulent trade allocation scheme.² Specifically, the complaint alleged that Goldinger and Capital Insight engaged in a mix-and-match trade allocation scheme while trading for customers in Treasury Bond futures contracts and options on these contracts at the Chicago Board of Trade. The complaint alleged that Goldinger and Capital Insight purposefully failed to provide account numbers to the floor broker executing the trades until after they knew the prices at which the trades had been confirmed in order to allocate profits and losses among their customers. The complaint further alleged that Goldinger and Capital Insight also misrepresented trading risks to customers and sent false trading statements to their customers in order to conceal their fraudulent trading scheme. Finally, the complaint alleged that Capital Insight failed to register as a commodity trading advisor (CTA) and failed to prepare written records, including account identification of customer orders, immediately on receipt of such orders. The court entered a consent order of permanent injunction on November 12, 1999 in which Goldinger and Capital Insight, without admitting or denying the allegations of the complaint, were permanently enjoined from further violations as charged, and were ordered to pay \$6 million in disgorgement.

In re DeMarco, CFTC Docket No. 00-01 (CFTC filed Dec. 13, 1999). In December 1999, the Commission filed an order instituting administrative proceedings and simultaneously accepting an offer of settlement from Thomas F. DeMarco, who was a telephone order clerk on the floor of the New York Mercantile Exchange. In its order, the Commission found that DeMarco committed fraud in violation of the Act by participating in a scheme in which he and others misappropriated a customer's profitable futures trades in heating oil, crude oil, and unleaded gasoline and wrongfully allocated them to accounts controlled by other participants in the scheme. The order further found that these fraudulent allocations created risk-free, profitable trades for the accounts to which they were allocated, and less profitable or unprofitable trades for the customer. Finally, the order found that DeMarco and other participants received payments for their parts in the scheme from the proceeds of the misappropriated profitable trades. DeMarco, without admitting or denying the findings, consented to the entry of the order that ordered him to cease and desist from further violations of the Act and Commission regulations, as charged; imposed a ten-year trading prohibition, with the further condition that he may trade for himself after ten years only if he no longer has a job that involves the handling of customer orders; and ordered him to comply with his undertaking not to seek registration with the Commission in any capacity for a period of ten years or act in any capacity that would require registration. While the Commission noted the appropriateness of a civil monetary penalty, it waived the assessment of such penalty based upon DeMarco's financial condition.

Other Enforcement Results: During the first quarter of FY 2000, the Commission obtained a result in: *In re Whealan*, CFTC Docket No. 96-4, Order Making Findings And Imposing Remedial Sanctions As To Respondent Emmett J. Whealan (CFTC entered Nov. 18, 1999) (consent order found that registered floor broker (FB) engaged in non-competitive trading on the floor of the Chicago Mercantile Exchange; ordered to cease and desist from further violations as charged; imposed a five-year trading ban; revoked FB registration; imposed a \$125,000 civil monetary penalty; and ordered the respondent to comply with his undertaking never to seek registration with the Commission in any capacity or engage in an activity requiring such registration).

² This is the third matter filed by the CFTC related to Goldinger's allocation scheme. Previously, the Commission instituted *In re Refco, Inc.*, CFTC Docket No. 99-12 (CFTC filed May 24, 1999), and *In re Mitsopoulos, et al.*, CFTC Docket No. 99-17 (CFTC filed Sept. 30, 1999).

Division Accomplishments By Agency Goal: *First Quarter, FY 2000*

Goal Two: *Protect market users and the public.*

Office of the General Counsel—Goal Two Accomplishments:

Commission Opinions and Orders – OGC assisted the Commission in administrative adjudicatory matters, including two significant reparations cases which raised issues of first impression. *Baldwin v. Cambridge Financial Corp., Hartford Financial Group, Inc. and Thomas Kennedy*, CFTC Docket No. 98-R004 (Nov. 24, 1999), involved an appeal from a complainant who had won a default judgment but due to deficiencies in his complaint, received an award for less than the full amount of the damages he had requested. The Commission held that in the default context, a presiding officer should generally grant complainant an opportunity to submit supplemental evidence prior to limiting an award to less than the full amount of the damages requested. In *Murray v. Cargill, Inc.*, CFTC Docket No. 99-R040 (CFTC Nov. 29, 1999), the Commission dismissed a complaint alleging fraud in the context of hedge-to-arrive contracts. The Commission noted that complainant was, in effect, seeking declaratory relief and emphasized that the CEA only authorized an award of monetary damages in the reparations context.

Litigation – During the quarter, the Commission prevailed in the U.S. Court of Appeals in a challenge to its imposition of vicarious liability and choice of sanctions in a major trade practice case. *Guttman v. CFTC*, 197 F. 3d 33 (2d Cir. 1999). OGC also argued an appeal to the U.S. Court of Appeals during the quarter involving an appeal from a Commission decision imposing liability on a seller of commodity trading software for fraud in the marketing of its product, *R&W Technical Services, Ltd. v. CFTC*, No. 99-60182 (11th Cir.), and briefed another appeal involving findings by the Commission of liability for fraud. *Slusser v. CFTC*, No. 99-2947 (7th Cir.). The Commission had two other cases remanded to it by the U.S. Courts of Appeals, involving the required posting of a bond by reparations claimants who are foreign nationals, *Haekel v. CFTC*, 198 F. 3d 37 (2d Cir. 1999), and the appropriate method of determining civil monetary penalties in a case of customer solicitation fraud, *Miller v. CFTC*, 197 F. 3d 1227 (9th Cir. 1999) (affirming the Commission's findings as to liability but remanded for redetermination of sanctions). Finally, OGC was successful in persuading another U.S. Court of Appeals, through the filing of an amicus brief in private litigation, to endorse the Commission's methodology for determining whether hedge-to-arrive contracts are futures contracts. *Grain Land Coop v. Kar Kim Farms, Inc.*, 199 F. 3d 983 (8th Cir. 1999).

In the U.S. District Courts, OGC briefed cross-motions for summary judgment in a case challenging the constitutionality of the Commission's rules governing registration of commodity trading advisors (CTAs), *Agora, Inc. v. Born*, No. JFM 98-3453 (D. Md.). OGC also continued its representation of the Commission in bankruptcy proceedings involving Commission registrants, including *In re Griffin Trading Co.*, No. 98-41742 (Bankr. N.D.Ill.).

Division of Enforcement—Goal Two Accomplishments:

Fraud – These cases involve registered and unregistered CTAs, commodity pool operators (CPOs), and/or futures commission merchants (FCMs) who violate the anti-fraud provisions of the Act and Commission regulations. Cases filed include:

In re Dixon, CFTC Docket No. 00-03 (CFTC filed Dec. 16, 1999). In December 1999, the Commission filed a three-count administrative action against Carl Dean Dixon. The complaint alleged that Dixon committed solicitation fraud while acting as an unregistered CTA. Specifically, the complaint alleged that, between at least January and December 1998, Dixon offered a Treasury bond futures trading course to the public. The complaint further alleged that Dixon fraudulently solicited clients for this course by, among other things, falsely stating that: the trading methodology to be taught would quickly yield high returns; he was an experienced and successful futures trader whose successes resulted in an opulent lifestyle; and he guaranteed to pay back students double their money if he could not teach them successful day trading. Finally, the complaint alleged that Dixon also fraudulently solicited clients by using sham account statements

reflecting phony trading profits to reinforce his assertions that he was a profitable, high-volume trader for his own account.

In re Velissaris, CFTC Docket No. 00-02 (CFTC filed Dec. 16, 1999). In December 1999, the Commission filed an order instituting administrative proceedings and simultaneously accepting an offer of settlement from George W. Velissaris, the sole managing partner of ACG Partners, L.P. (ACG). In its order, the Commission found that Velissaris fraudulently operated two successive commodity pools, ACG I and ACG II, from March 1996 through July 1998. The order further found that Velissaris committed fraud by making misrepresentations about the profitability of the commodity pools when soliciting investors, misappropriating investor funds, and issuing statements to investors that falsely represented that the pools were profitable. Specifically, the order found that Velissaris fraudulently solicited at least \$323,000 from investors, lost approximately \$61,000 trading commodity futures, and misappropriated at least \$99,000. Velissaris, without admitting or denying the findings, consented to the entry of the order that, among other things, ordered him to cease and desist from further violations of the Act and Commission regulations, as charged; imposed a permanent trading ban; ordered him to pay \$114,203.93 in restitution pursuant to a payment plan; and ordered him to comply with his undertaking never to apply for registration or engage in any activity requiring such registration.

Other Enforcement Results: During the first quarter of FY 2000, the Commission obtained results in the following cases previously filed in this area:

CFTC and Az. Corp. Comm'n v. AYM Financial Corp., et al., No. 96-CV-2640, Consent Orders (E.D.Pa. entered Oct. 4 and Oct. 20, 1999) (fraud involving sale of illegal foreign currency futures contracts to retail customers; permanently enjoining the defendants from further violations as charged and ordering them to pay, jointly and severally, \$3 million in restitution).

CFTC v. Bonney, No. 98 C0087C, Supplemental Consent Order (W.D. Wisc. entered Oct. 22, 1999) (CPO fraud; ordering payment of \$345,343 in restitution pursuant to a payment plan).

CFTC v. C.O.M. Consultants, Inc., et al., No. 97-4443 WMB, Order For Payment Of Restitution By Linton Samaru (C.D.Cal. entered Oct. 1, 1999) (consent order ordering payment by Linton Samaru of \$882,006 in restitution).

CFTC v. EuroPacific Equity and Capital Management, Ltd., et al., No. 99-6506, Default Order (S.D.Fla. entered Oct. 29, 1999) (CPO fraud; default order of permanent injunction against defendants EuroPacific Equity and Capital Management, Ltd., Tortola Corporation Company, Ltd., International Investment Group, Ltd. and Richard Tichy; ordering a \$7,785,841 civil monetary penalty and \$2,595,280 in restitution).

CFTC v. Hudkins, et al., No. 3:98cv281 AS (N.D. Ind. entered Dec. 8, 1999) (CPO fraud; Carmen J. Field, Mona L. Smith, and Market Capital Growth, Inc. (MCG) found to have fraudulently solicited customers for a commodity pool and ordered permanently enjoined from further violations as charged and from either seeking registration with the Commission in any capacity or engaging in any activity requiring such registration; further ordered to disgorge \$880,811 (Field and Smith), and \$146,154 (Smith); and ordered to pay restitution in the amounts of \$1,026,965 (Field, Smith and MCG) and \$234,562 (Field)).

CFTC v. Marantette, et al., No. CV99 00653 SOM, Consent Order Of Preliminary Injunction (D.Haw. entered Oct. 14, 1999) (unregistered CPO and CTA fraud).

CFTC v. Marchiano, et al., No. 98-6564-CIV-SEITZ, Judgment And Order Granting Final Judgment By Default (S.D. Fla. entered Nov. 24, 1999) (acting as a principal and AP of introducing broker (IB) without registration and in violation of prior Commission settlement order; defendants Hartford Financial Group, Inc., Keri L. Stewart and Joseph J. Marchiano permanently enjoined from further violations as charged and ordered to pay a civil monetary penalty of \$330,000 each).

CFTC v. Midland Rare Coin Exchange, et al., Docket No. 97-7422-CIV-DIMITROULEAS, Permanent Injunction And Final Judgment (S.D. Fla. entered Oct. 20, 1999) (fraud in connection

with illegal precious metals futures contracts; on default, permanently enjoined the defendants from further violations as charged and from either seeking registration with the Commission in any capacity or engaging in any activity requiring such registration; ordered restitution and disgorgement of \$9,499,950 (Midland Rare Coin Exchange, Inc., Robert J. Mitchell, and Terry A. Sands, jointly and severally), \$3,753,383 (Edward N. Tabb), \$9,545,137 (Southwest Research Associates, Inc., Southern Advertising and Marketing, Inc., Quantum Advertising and Marketing, Inc., and North American Asset Management, Inc., jointly and severally), and \$2,947,360 (Globex Bullion And Financial Services Corp., Eurex Marketing Corp., and Globalmark Corp., jointly and severally)).

CFTC v. Monte, et al., No. 99-9750 CIV-RYSKAMP, Ex Parte Statutory Restraining Order (S.D.Fla. entered Oct. 1, 1999, revised Oct. 29, 1999) (unregistered CTA fraud; ex parte restraining order against Fred Monte, Jeanne H. Monte, and Comp Tech Ltd., Inc.).

CFTC v. Nickolaou, et al., No. 99-C-6425, Consent Order Of Preliminary Injunction (N.D.Ill. entered Dec. 27, 1999) (CTA fraudulent solicitation; preliminary injunction against Nicholas J. Nickolaou, individually and d/b/a Ca-Ni Industries, Inc., and Ca-Ni Industries, Inc.).

CFTC v. Noble Wealth Data Information Services, Inc., et al., No. PJM 98-3316, Default Order Of Permanent Injunction And Final Judgment (D. Md. entered Oct. 27, 1999) (fraud in connection with the sale of illegal foreign currency futures to retail customers; on default, defendants Noble Wealth Data Information Services, Inc., International Advanced Investment, Inc. and Currex International Corporation permanently enjoined from further violations as charged and from either seeking registration with the Commission in any capacity or engaging in any activity requiring such registration; further ordered the defaulting defendants to pay \$5,264,251 in restitution and a \$15,792,753 civil monetary penalty).

CFTC v. Princeton Global Management Ltd., et al., No. 99CIV9669, Preliminary Injunction Continuing Asset Freeze And Appointment Of Receiver (S.D.N.Y. entered Nov. 30, 1999) (unregistered CPO and CTA fraud).

In re Thomas and In re Wellington Financial Group, Inc., CFTC Docket Nos. 98-13 and 99-10, Order Making Findings And Imposing Remedial Sanctions As To Respondents Todd Alan Thomas And Wellington Financial Group, Inc. (CFTC entered Nov. 2, 1999) (accepted registered AP's and IB's Offers of Settlement in fraudulent solicitation case; imposed the following sanctions against both respondents: cease and desist orders, registration revocations, permanent trading bans, and undertaking never to seek registration with the Commission in any capacity; Thomas ordered to pay \$1.9 million in restitution pursuant to a payment plan).

CFTC v. Trinity Financial Group, Inc., No. 92-6832-CIV-UNGARO-BENAGES, Omnibus Order On Revised Disgorgement Motions (S.D.Fla. entered Dec. 7, 1999) (IB and AP solicitation fraud; consistent with the opinion in *CFTC v. Sidoti*, 178 F.3d 1132 (11th Cir. 1999), the court limited disgorgement to earnings during the period of time for which there was record evidence of fraud; because the court granted the Commission's motion to limit evidence at trial to pre-1995 conduct, the court ordered disgorgement of Mark Stephen Wuench's income from 1991 through 1994, \$2,290,208).

Illegal Instruments – The Enforcement program also investigates and prosecutes the sale of illegal futures and option contracts to the public. In October 1999, the Commission accepted respondent's offer of settlement in an illegal instruments case involving hedge to arrive contracts: *In re Southern Thumb Co-Op, Inc.*, CFTC Docket No. 97-3, Order Making Findings And Imposing Remedial Sanctions (CFTC entered Oct. 7, 1999) (consent order ordering respondent to cease and desist from further violations as charged and to comply with its undertaking to retain a compliance consultant should it resume business as a grain elevator or grain marketer of any kind).

Cooperative Enforcement – Cooperative enforcement is an important element in promoting compliance with, and deterring violations of, federal commodities laws. Cooperative enforcement enables the Commission to maximize its ability to detect, deter, and sanction wrongdoing

involving U.S. markets, registrants, and customers. Examples of the Division's cooperative enforcement efforts during the first quarter of FY 2000 include:

CFTC v. Goldinger, No. 99-11543 WMB (C.D.Cal. filed Nov. 9, 1999). This action is the result of a coordinated investigation with the Securities and Exchange Commission (SEC), the U.S. Attorney's Office for the Central District of California, and the Federal Bureau of Investigation. For a more complete case description, see Goal One Accomplishments—Trade Practice Fraud. Concurrently with the filing of the Commission's action, the SEC filed a civil injunctive action against Goldinger based on related conduct involving transactions in securities. On December 13, 1999, Goldinger pled guilty to four counts of wire fraud for scheming to shift his clients' funds to cover trading losses. Goldinger faces a maximum of 20 years in prison and a \$1 million fine. *CFTC v. S. Jay Goldinger, et al.*, No. 99-11543 WMB, Order of Permanent Injunction and Other Equitable Relief (C.D. Cal. entered Nov. 12, 1999).

Money Laundering Cooperative Efforts. The Money Laundering Strategy Working Group (MLSG) is chaired by the Treasury Department and the Department of Justice and includes U.S. law enforcement authorities and financial regulators who meet on a bi-weekly basis to discuss the prevention, detection, and prosecution of money laundering through financial markets. The MSLG currently is working to implement the action items identified in the National Money Laundering Strategy For 1999, the first in a series of five annual reports called for by the Money Laundering and Financial Crimes Strategy Act of 1998. The issues discussed and the initiatives contemplated have relevance to the CFTC's regulatory and enforcement programs. During the first quarter of FY 2000, the Division also participated in the 13th meeting of the Bank Secrecy Act Advisory Group, a joint government and private initiative, which focused on the National Money Laundering Strategy For 1999.

Statutory Disqualification Cases – The Enforcement program investigates and prosecutes administrative registration cases based on statutory disqualification (SD). While most SD actions are commenced by the NFA as part of its delegated authority to handle registration functions for the Commission, the Commission has retained authority to act directly in appropriate cases. During the first quarter of FY 2000, the Division achieved enforcement results in the following statutory disqualification cases: *In re Barbarino, et al.*, CFTC Docket No. SD 99-3, Opinion And Order Accepting Offers Of Settlement Of Frank Barbarino And Frank D'Amato (CFTC entered Dec. 21, 1999) (restricting respondents' floor broker registrations); and *In re Rhee, et al.*, CFTC Docket No. SD 99-8, Consent Order Revoking Registrations (CFTC entered Nov. 15, 1999) (revoking Reflex Asset Management Corp.'s (Reflex) CTA and CPO registrations and Andrew David Rhee's registration as an associated person of Reflex).

Division Accomplishments By Agency Goal: *First Quarter, FY 2000*

Goal Three: Foster open, competitive, and financially sound markets.

Division of Trading & Markets—Goal Three Accomplishments:

Regulation 1.59 – Insider Trading Restrictions – On December 28, 1999, the Commission published in the *Federal Register* a proposal to amend Commission Regulation 1.59 which addresses various trading prohibitions imposed on persons associated with self-regulatory organizations (64 FR 72587).

Automated Trading Systems – The Division issued no-action letters to the London International Financial Futures and Options Exchange (LIFFE) (supplementing the original letter issued in July 1999), the International Petroleum Exchange of London Limited (IPE), Eurex, the Marche a Terme International de France (MATIF), and Simex in connection with the placement of terminals in the U.S. to provide access to the automated trading systems operated by these foreign boards of trade.

Automated Purchase and Sale of Electricity – The Division issued a no-action letter on December 16, 1999 to the California Power Exchange (CalPX) regarding the operation of the "Block-Forward Market" for buying and selling electricity in monthly blocks of time, up to six months in advance of delivery.

Division of Enforcement—Goal Three Accomplishments:

Trade Practice Fraud – As noted in **Goal One Accomplishments**, during the first quarter of FY 2000 the Commission filed *CFTC v. Goldinger, et al.*, No. 99-11543 WMB (C.D.Cal. filed Nov. 9, 1999), and *In re DeMarco*, CFTC Docket No. 00-01 (CFTC filed Dec. 13, 1999).

International Cooperation – Activities of the Enforcement program in support of this goal during the first quarter of FY 2000 included:

Directors Of Enforcement Workshop – In December 1999, the Australian Securities & Investments Commission hosted a workshop for enforcement program directors of financial regulators from around the globe. The workshop focused on common issues faced by enforcement directors. As part of the workshop, the Division of Enforcement shared with the group the Commission's Enforcement Modernization Project with emphasis on its new electronic procedures manual and on its new case tracking and document management system.

Office of International Affairs – Goal Three Accomplishments:

International Organization of Securities Commissions (IOSCO) – OIA staff represented the Commission on the IOSCO Technical Committee at its October meeting. OIA staff has been participating in drafting groups that are preparing surveys for a high level self assessment on the extent to which the Objectives and Principles of Securities Regulation (Core Principles) have been implemented. OIA participated in a meeting of the IOSCO Internet Task Force, which is examining regulatory issues surrounding the increased use of the Internet.

OIA also coordinated the Commission's activities within the Technical Committee's working group on secondary markets. OIA staff developed and completed the collation of responses to a questionnaire to working group members on the regulation of electronic trading systems, and is participating in the development of principles for the oversight of cross-border systems. OIA participated in a joint meeting of IOSCO Working Party 2 and the Committee on Payment and Settlement Systems which is examining standards for cross-border settlement.

International Initiatives – OIA continued to coordinate the Commission's responses to position papers distributed by the Department of the Treasury in connection with its representation on the Financial Stability Forum.

Technical Assistance – OIA organized the Commission's annual training seminar for foreign regulatory authorities, which included a plenary session with the Chicago Federal Reserve Bank and a day in Washington organized in cooperation with the International Finance Corporation.

Division Accomplishments By Agency Goal: *First Quarter, FY 2000*

<i>All Goals</i>

Office of the Executive Director— All Goals Accomplishments:

Year 2000 Preparedness – OIRM completed preparations for the Year 2000 rollover, according to the CFTC Business Continuity Contingency Plan. These preparations insured a smooth transition to the year 2000.

Systems Development – During the quarter, a contract was awarded to provide supplemental systems development services to the CFTC. Initial projects under this contract include completion of the Exchange Database System port, completion of the Financial Condition Reporting project, and work on Enforcement System Modernization.

Intranet – Development and implementation of new features for the Commission's Intranet continued throughout the quarter, including development of the new document management system.

Migration of CFTC Financial Management System – The Office of Financial Management migrated the Commission's automated financial management system (FMS) from the CFTC mainframe to the mainframe at the Department of the Interior (DOI) effective October 1, 1999. The interagency agreement between DOI and the CFTC will provide full servicing of the Commission's FMS on a cost reimbursable basis, eliminate the requirement for in-house contractor support at the CFTC, and diminish the need for reliance on the CFTC OIRM systems staff.

Budget and Annual Performance Plan (APP) – The FY 2000 Operating Budget was presented to Chairman Rainer on October 22, 1999. The \$62,761,000 appropriation provides for an operating level of 561 full-time equivalent staff-years (FTEs). The OMB Passback on the FY 2001 budget request was received by the Commission on December 6, 1999. The Commission request for \$72,100,000 and 621 FTEs was granted.

Special Events and Training – The Office of Human Resources and the agency's Training Advisory Group implemented both segments of the Commission's new Management Training Program: the Nuts and Bolts Program and the Leadership Effectiveness Program. The first semester of the Industry/Legal/Technical Training Program concluded during the quarter. An Advanced WriteThinking course was successfully completed by 11 Commission staff. Two on-site flu shot clinics were held during the quarter.

Human Resources Initiatives – OHR continued to increase its use of the Commission's Intranet to provide staff with critical information by, for example, posting handouts and other materials from Commission training sessions on the expanded Training page. OHR, with the Commission's Office of General Counsel, provided training in interviewing techniques for Division of Enforcement staff. All-employee orientation and supervisory training for the Employee Assistance Program was provided to staff of the Chicago Regional Office.

Policies and Procedures – To provide greater flexibility to the Commission's regional offices and improve customer service, OAS successfully established a decentralized approach to financial management operations. OFM issued a Simplified Acquisition Policy in October, 1999, the Commission's first comprehensive procurement guidelines.

Reporting – OHR submitted its annual report to the Office of Personnel Management on activity under the interagency Career Transition Assistance Program. The Office of the Executive Director prepared the annual certification of its financial systems as required by the Federal Financial Managers' Integrity Act. The CFTC published the inventory of commercial activities performed by its staff in the Federal Register as required by the FAIR Act.

Records Management – OED completed the transfer of the Commission's official records from the Federal Records Center to Iron Mountain, a private vendor.

Technology Advances – OIRM completed the installation of a new telephone system in the New York Regional Office.

Contracts – Pursuant to a request for proposals, OFM selected a real estate broker, Julien J. Studley, Inc., to work with the Commission on lease management and the review of space requirements in the regional offices. 3

Part III: Annual Performance Statistics

Summary of Commission Outreach Efforts

First Quarter, FY 2000

Non-Recurring Outreach Efforts:

Quarterly meetings of Chairman Rainer and leaders of Exchanges
Congressional briefings with OLIA staff

Recurring/Established Outreach Efforts:

Advisory

Agricultural Advisory Committee
Financial Products Advisory Committee
Global Market Advisory Committee

Federal and State Working Relationships

President's Working Group on Financial Markets
U.S. Department of Agriculture
Securities and Exchange Commission
Department of the Treasury
Board of Governors of the Federal Reserve System
New York Federal Reserve Bank
Federal Deposit Insurance Corporation
Department of Energy
Department of Labor's Bureau of Labor Statistics
Department of Justice
Federal Bureau of Investigation
Federal Trade Commission
U.S. Postal Inspection Service

Self-Regulatory

National Futures Association quarterly meetings

International

Foreign regulatory authorities
International Organization of Securities Commissions (IOSCO)

List of Interested Parties

All Exchanges and Self-Regulatory Organizations
Public
Congress
The Administration
Market Professionals
Market Users
Foreign Authorities
Federal Departments and Agencies

Analysis of Annual Performance Statistics By Agency Goal: *First Quarter, 2000*

Goal One: Protect the economic functions of the commodity futures and option markets.

Outcome Objective 1.1: Foster futures and option markets that accurately reflect the forces of supply and demand for the underlying commodity and are free of disruptive activity. (Activities 1.1.1 through 1.1.7)

Annual Performance Goal: No price manipulation or other disruptive actions.

Activity 1.1.1: Collect US futures and option large trader and exchange-generated data for all actively trading contracts to support market surveillance, enforcement of speculative limits, dissemination of information to the public, and futures market studies and research by Commission staff and others.

Activity 1.1.1 Output Measures:	FY 2000 Target	Qtr. 1 Actual	Qtr. 2 Actual	Qtr. 3 Actual	Qtr. 4 Actual	Total To Date	% To Date	Year-End Projection
Amount of large trader and exchange-generated reports collected.	24,050,000	3,166,658				3,166,658	13%	12,666,632
Number of projects/measures intended to reduce reporting burdens and related costs on the exchanges.	4	0				0	0%	4
Number of projects implemented.	4	0				0	0%	4

Activity 1.1.2: Monitor the markets to detect and respond quickly to potentially disruptive situations such as market congestion and/or potential price manipulation.

Performance Goals:

Activity 1.1.2 Output Measures:	FY 2000 Target	Qtr. 1 Actual	Qtr. 2 Actual	Qtr. 3 Actual	Qtr. 4 Actual	Total To Date	% To Date	Year-End Projection
Number of active futures and option markets.	299	241				241	N/A	N/A
Number of market surveillance reports prepared on expiring contracts for indications of price manipulation or other market disruptions.	2,800	528				528	19%	2,112
Number of market surveillance analyses prepared and presented at Commission briefings.	300	62				62	21%	248

Activity 1.1.3: Conduct timely review of contract market designation applications and changes to applications to determine if they are economically viable and do not pose a likelihood of disruption in the cash, futures, and option markets.

Activity 1.1.3 Output Measures:	FY 2000 Target	Qtr. 1 Actual	Qtr. 2 Actual	Qtr. 3 Actual	Qtr. 4 Actual	Total To Date	% To Date	Year-End Projection
Number of designations reviewed.	74	7				7	9%	74
Number of designations reviewed within 45 days.	30	1				1	3%	30
Number of rule changes reviewed.	144	28				28	19%	144
Number of rule changes reviewed within 30 days.	114	0				0	0%	114

Activity 1.1.4: Identify possible manipulation and other abusive trading practices for investigation and possible enforcement or criminal action

Activity 1.1.4 Output Measures:	FY 2000 Target	Qtr. 1 Actual	Qtr. 2 Actual	Qtr. 3 Actual	Qtr. 4 Actual	Total To Date	% To Date	Year-End Projection
Number of possible manipulation and other abusive trading practices identified.	TBD*	N/A				N/A	N/A	N/A

* "TBD" on FY 2000 Targets means that those statistics were not tracked by the Commission prior to FY 2000. A tracking system is currently in place to provide estimates in future years.

Analysis of Annual Performance Statistics By Agency Goal: *First Quarter, 2000*

Goal One: Protect the economic functions of the commodity futures and option markets.

Outcome Objective 1.1 (Cont'd.)

Activity 1.1.5: Investigate possible manipulation and other abusive trading practices.

Activity 1.1.5 Output Measures:	FY 2000 Target	Qtr. 1 Actual	Qtr. 2 Actual	Qtr. 3 Actual	Qtr. 4 Actual	Total To Date	% To Date	Year-End Projection
Number of such investigations opened during the quarter.*	10	3				3	30%	10
Number of such investigations pending at close of the quarter.	20	21				N/A	N/A	20
Number of such investigations closed or resulting in enforcement action within one year of opening.	3	1				1	33%	3
Total number of such investigations closed or resulting in enforcement action during the quarter.	TBD	2				2	N/A	N/A

*Individual Enforcement investigations and cases frequently concern issues that span more than one strategic goal. Accordingly, all performance indicators are reflected in each outcome objective achieved throughout the course of a matter. So, for example, if a case is filed which contains allegations of trade practice violations as well as supervision failures, that case will be reflected in the appropriate places under Goals One, Two, and Three.

Activity 1.1.6: Institute enforcement cases concerning manipulation and other abusive trading practices.

Activity 1.1.6 Output Measures:	FY 2000 Target	Qtr. 1 Actual	Qtr. 2 Actual	Qtr. 3 Actual	Qtr. 4 Actual	Total To Date	% To Date	Year-End Projection
Number of such cases filed during the quarter.	1	2				2	200%	2
Number of such cases filed within one year of opening the related investigation.	TBD	0				0	N/A	N/A
Number of such cases completed during the quarter.	1	1				1	100%	1
Number of such cases pending at the close of the quarter.	12	13				13	N/A	12

Activity 1.1.7: Sanction violators.*

Activity 1.1.7 Output Measures:	FY 2000 Target	Qtr. 1 Actual	Qtr. 2 Actual	Qtr. 3 Actual	Qtr. 4 Actual	Total To Date	% To Date	Year-End Projection
Amount of money to be paid as disgorgement or restitution.	\$0	\$6,000,000				\$6,000,000	N/A	\$6,000,000
Amount of civil penalties.	\$800,000	\$625,000				\$625,000	78%	\$800,000
Number of cease and desist orders.	4	3				3	75%	4
Number of registration sanctions.	6	2				2	33%	6
Number of trading prohibitions.	6	3				3	50%	6
Amount of sanctions collected/recovered.	TBD	N/A				N/A	N/A	N/A

*Previous budget documents have reflected sanctions obtained at any and all stages of a matter. So, for example, if an ALJ imposed a \$100,000 civil monetary penalty in a particular case in FY 1997, and on appeal the Commission imposed a penalty of \$150,000 in the same case in FY 1998, each figure was reflected in the year it was imposed. In order to more accurately reflect sanctions obtained, this year's budget will reflect only sanctions which become final during FY 1998. Thus, the sanctions projected for FYs 1998, 1999, and 2000 reflect only settled matters; unappealed decisions of the Commission, US District Courts, or US Circuit Courts of Appeals, and decisions of the US Supreme Court.

Analysis of Annual Performance Statistics By Agency Goal: First Quarter, 2000**Goal One: Protect the economic functions of the commodity futures and option markets.****Outcome Objective 1.2 (Cont'd.)****Outcome Objective 1.2: Promote compliance with and deter violations of federal commodities laws.
(Activities 1.2.1 through 1.2.3)****Annual Performance Goal:** No decrease in market use by producers, processors, financial institutions, and other firms because of loss of confidence in the price discovery and risk shifting functions of the markets.**Activity 1.2.1: Participate in the President's Working Group on Financial Markets to ensure coordination of information and efforts among US financial regulators.**

Activity 1.2.1 Output Measures:	FY 2000 Target	Qtr. 1 Actual	Qtr. 2 Actual	Qtr. 3 Actual	Qtr. 4 Actual	Total To Date	% To Date	Year-End Projection
Number of President's Working Group meetings held (includes Steering Committee meetings).	24	6				6	25%	24
Number of President's Working Group meetings attended (includes Steering Committee meetings).	24	6				6	25%	24

Activity 1.2.2: Maintain a current understanding of market functions and developments through studies and research.

Activity 1.2.2 Output Measures:	FY 2000 Target	Qtr. 1 Actual	Qtr. 2 Actual	Qtr. 3 Actual	Qtr. 4 Actual	Total To Date	% To Date	Year-End Projection
Number of ongoing market research projects and studies.	14	4				4	29%	14
Number of market research projects and studies completed.	14	4				4	29%	14

Activity 1.2.3: Provide materials and information on the functions and utility of the markets to the public through public Commission meetings, public roundtables, advisory committee meetings, symposia, US Department of Agriculture publications, press releases, advisories, routine reports on large trader activity, etc.

Activity 1.2.3 Output Measures:	FY 2000 Target	Qtr. 1 Actual	Qtr. 2 Actual	Qtr. 3 Actual	Qtr. 4 Actual	Total To Date	% To Date	Year-End Projection
Number of public roundtables conducted.	1	1				1	100%	1
Number of Advisory Committee meetings conducted.	4	1				1	25%	4
Number of market reports published.	8,600	2,144				2,144	25%	8,576
Number of requests for data from universities and private sources.	9	2				2	22%	8
Number of requests fulfilled.	9	2				2	22%	8
Number of large trader reports (routine and special) provided to other US financial regulators.	28	7				7	25%	28

Goal Two: Protect market users and the public.**Outcome Objective 2.1: Promote compliance with and deter violations of federal commodities laws. (Activities 2.1.1 through 2.1.10)**

Annual Performance Goal: All known possible wrongdoing identified and investigated. All violators brought to justice.

Activity 2.1.1: Identify and investigate possible fraudulent and other illegal activities relating to the commodity futures and option markets and their registrants.*

Activity 2.1.1 Output Measures:	FY 2000 Target	Qtr. 1 Actual	Qtr. 2 Actual	Qtr. 3 Actual	Qtr. 4 Actual	Total To Date	% To Date	Year-End Projection
Number of such investigations opened during the quarter.	83	14				14	17%	83
Total number of such investigations closed or resulting in CFTC enforcement action during the quarter.	TBD	23				23	N/A	N/A
Number of such investigations closed or resulting in CFTC enforcement action within one year of opening.	42	9				9	21%	42
Number of such investigations pending at close of quarter.	112	104				N/A	N/A	112

*Individual Enforcement investigations and cases frequently concern issues that span more than one strategic goal. Accordingly, all performance indicators are reflected in each outcome objective achieved through the course of a matter. So, for example, if a case is filed which contains allegations of trade practice violations as well as supervision failures, any performance indicators associated with the case will be reflected in the appropriate places under Goals One, Two, and Three.

Activity 2.1.2: Bring injunctive actions, including using "quick-strike" efforts to protect assets and to stop egregious conduct.

Activity 2.1.2 Output Measures:	FY 2000 Target	Qtr. 1 Actual	Qtr. 2 Actual	Qtr. 3 Actual	Qtr. 4 Actual	Total To Date	% To Date	Year-End Projection
Number of such injunctive actions filed using "quick-strike" procedures during the quarter.	8	0				0	0%	8
Total number of such injunctive actions filed during the quarter.	19	1				1	5%	19
Number of such injunctive actions completed during the quarter.	18	9				9	50%	18
Number of such injunctive actions pending at close of the quarter.	TBD	38				N/A	N/A	N/A

Activity 2.1.3: Bring administrative cases involving fraud and other violations.

Activity 2.1.3 Output Measures:	FY 2000 Target	Qtr. 1 Actual	Qtr. 2 Actual	Qtr. 3 Actual	Qtr. 4 Actual	Total To Date	% To Date	Year-End Projection
Number of administrative cases filed.	12	3				3	25%	12
Number of such administrative cases filed within one year of opening the related investigation.	TBD	0				0	N/A	N/A
Number of such administrative cases completed during the quarter.	12	5				5	42%	12
Number of such administrative cases pending at close of the quarter.	TBD	32				N/A	N/A	N/A

Analysis of Annual Performance Statistics By Agency Goal: First Quarter, 2000**Goal Two: Protect market users and the public.
Outcome Objective 2.1 (Cont'd.)****Activity 2.1.4: Hear administrative cases.**

Activity 2.1.4 Output Measures:	FY 2000 Target	Qtr. 1 Actual	Qtr. 2 Actual	Qtr. 3 Actual	Qtr. 4 Actual	Total To Date	% To Date	Year-End Projection
Number of administrative cases heard during the fiscal year.	23	0				0	0%	23

Activity 2.1.5: Sanction violators.*

Activity 2.1.5 Output Measures:	FY 2000 Target	Qtr. 1 Actual	Qtr. 2 Actual	Qtr. 3 Actual	Qtr. 4 Actual	Total To Date	% To Date	Year-End Projection
Number of <i>ex parte</i> restraining orders obtained.	11	1				1	9%	11
Number of preliminary injunctions obtained.	10	3				3	30%	10
Number of permanent injunctions obtained.	20	7				7	35%	20
Amount of disgorgement and restitution granted.	\$55,000,000	\$48,135,407				\$48,135,407	88%	\$55,000,000
Amount of civil monetary penalties granted.	\$35,000,000	\$24,578,594				\$24,578,594	70%	\$35,000,000
Number of cease and desist orders obtained.	16	5				5	31%	16
Number of requests for registration restrictions granted.	8	2				2	25%	8
Number of requests for trading prohibitions granted.	11	4				4	36%	11

*Previous budget documents have reflected sanctions obtained at any and all stages of a matter. So, for example, if an ALJ imposed a \$100,000 civil monetary penalty in a particular case in FY 1997, and on appeal the Commission imposed a penalty of \$150,000 in the same case in FY 1998, each figure was reflected in the year it was imposed. In order to more accurately reflect sanctions obtained, this year's budget will reflect only sanctions which become final during FY 1998. Thus, the sanctions projected for FYs 1998, 1999, and 2000 reflect only settled matters; unappealed decisions of the Commission, US District Courts, or US Circuit Courts of Appeals; and decisions of the US Supreme Court.

Activity 2.1.6: Inform the public and the industry concerning allegations of wrongdoing and associated legal actions, including through publications and through Commission orders and reports describing the alleged violations and the Commission's legal and policy analysis.

Activity 2.1.6 Output Measures:	FY 2000 Target	Qtr. 1 Actual	Qtr. 2 Actual	Qtr. 3 Actual	Qtr. 4 Actual	Total To Date	% To Date	Year-End Projection
Number of cases decided with published opinions.	11	1				1	9%	4
Number of cases decided by orders of summary affirmance.	9	1				1	11%	4

Activity 2.1.7: Collect sanctions and civil monetary penalties against violators.

Activity 2.1.7 Output Measures:	FY 2000 Target	Qtr. 1 Actual	Qtr. 2 Actual	Qtr. 3 Actual	Qtr. 4 Actual	Total To Date	% To Date	Year-End Projection
Amount of civil monetary penalties assessed	TBD	N/A				N/A	N/A	N/A
Amount of civil monetary penalties collected.	\$1,500,000	127,086				127,086	8%	\$508,344

Analysis of Annual Performance Statistics By Agency Goal: *First Quarter, 2000***Goal Two: Protect market users and the public.*****Outcome Objective 2.1 (Cont'd.)***

Activity 2.1.8: Cooperate with the exchanges, the National Futures Association, other federal agencies, state governments and law enforcement entities, and foreign authorities to gain information for law enforcement purposes and to provide enforcement assistance as necessary and appropriate.

Activity 2.1.8 Output Measures:	FY 2000 Target	Qtr. 1 Actual	Qtr. 2 Actual	Qtr. 3 Actual	Qtr. 4 Actual	Total To Date	% To Date	Year-End Projection
Number of enforcement investigations pending at any point during the quarter that involved cooperation with authorities.	38	6				6	16%	38
Number of requests for assistance from foreign authorities.	25	7				7	28%	25
Number of requests for assistance made to foreign authorities.	25	4				4	16%	25

Activity 2.1.9: Monitor the Internet and other communication media for fraudulent activities and other possible violations of the Act.

Activity 2.1.9 Output Measures:	FY 2000 Target	Qtr. 1 Actual	Qtr. 2 Actual	Qtr. 3 Actual	Qtr. 4 Actual	Total To Date	% To Date	Year-End Projection
Number of preliminary investigation referrals generated from Internet and media monitoring.	48	15				15	31%	48
Total number of CFTC enforcement preliminary investigations pending at the close of the quarter.	TBD	70				70	N/A	N/A

Activity 2.1.10: Resolve appeals in administrative enforcement matters and self-regulatory organization adjudicatory actions.

Activity 2.1.10 Output Measures:	FY 2000 Target	Qtr. 1 Actual	Qtr. 2 Actual	Qtr. 3 Actual	Qtr. 4 Actual	Total To Date	% To Date	Year-End Projection
Number of administrative enforcement appeals decided during the FY that were decided within six months.	3	0				0	0%	3
Number of administrative enforcement appeals resolved.	15	1				1	7%	15
Number of SRO adjudicatory action appeals decided during the FY that were decided within six months.	3	0				0	0%	3
Number of SRO adjudicatory action appeals resolved.	13	1				1	8%	13

Analysis of Annual Performance Statistics By Agency Goal: *First Quarter, 2000***Goal Two: Protect market users and the public.**

Outcome Objective 2.2: *Require commodities professionals to meet high standards. (Activities 2.2.1 through 2.2.3)*

Annual Performance Goal: No unregistered, untested, and unlicensed commodity professionals.

Activity 2.2.1: Oversee the National Futures Association (NFA) registration program, including testing, licensing, and ethics training for commodities professionals.

Activity 2.2.1 Output Measures:	FY 2000 Target	Qtr. 1 Actual	Qtr. 2 Actual	Qtr. 3 Actual	Qtr. 4 Actual	Total To Date	% To Date	Year-End Projection
Number of registered commodity professionals.	66,000	65,147				65,147	99%	66,000
Number of registrants compliant with standards regarding testing, licensing, and ethics training.	64,000	62,542				62,542	98%	64,000
Number of CTA-NFA Registration Working Group meetings.	4	1				1	25%	4

Activity 2.2.2: Oversee NFA's document disclosure review program.

Activity 2.2.2 Output Measures:	FY 2000 Target	Qtr. 1 Actual	Qtr. 2 Actual	Qtr. 3 Actual	Qtr. 4 Actual	Total To Date	% To Date	Year-End Projection
Number of disclosure documents reviewed.	100	5				5	5%	100
Number of deficiency letters issued.	10	1				1	10%	10
Number of CPO and CTA biennial review reports issued.	0	0				0	0%	0
Number of CPO/CTA interpretations, advisories, and proposed rule changes.	10	0				0	0%	10

Analysis of Annual Performance Statistics By Agency Goal: *First Quarter, 2000*

Goal Two: Protect market users and the public.

Outcome Objective 2.2 (Cont'd.)

Activity 2.2.3: Investigate and bring administrative registration cases arising out of alleged statutory disqualification and obtain suspensions, revocations, conditions, or restrictions of registration.

Activity 2.2.3 Output Measures:	FY 2000 Target	Qtr. 1 Actual	Qtr. 2 Actual	Qtr. 3 Actual	Qtr. 4 Actual	Total To Date	% To Date	Year-End Projection
Number of statutory disqualification investigations opened during the quarter.	3	0				0	0%	3
Total number of statutory disqualification investigations closed or resulting in CFTC enforcement action during the quarter.	TBD	0				0	N/A	N/A
Number of statutory disqualification investigations closed or resulting in CFTC enforcement action within one year of opening the investigation.	4	0				0	0%	4
Number of statutory disqualification investigations pending at the close of the quarter.	TBD	2				2	N/A	N/A
Total number of statutory disqualification cases filed during the quarter.	7	0				0	0%	7
Number of statutory disqualification actions filed within one year of the opening of the relevant investigation.	TBD	0				0	N/A	N/A
Number of statutory disqualification actions completed during the quarter.	TBD	1				1	N/A	N/A
Number of statutory disqualification actions pending at the close of the quarter.	TBD	11				11	N/A	N/A
Number of respondents/defendants against whom the CFTC's request for registration restrictions has been granted.	TBD	2				2	N/A	N/A

Analysis of Annual Performance Statistics By Agency Goal: First Quarter, 2000**Goal Two: Protect market users and the public.**

Outcome Objective 2.3: *Provide a forum for effectively and expeditiously handling customer complaints against persons or firms registered under the Act. (Activity 2.3.1)*

Annual Performance Goal: All customer complaints against persons or firms registered under the Act are resolved within one year from the date filed (does not include appeals).

Activity 2.3.1: Provide a reparations program for commodities market users to make claims relating to violations of the Act.

Activity 2.3.1 Output Measures:	FY 2000 Target	Qtr. 1 Actual	Qtr. 2 Actual	Qtr. 3 Actual	Qtr. 4 Actual	Total To Date	% To Date	Year-End Projection
Number of reparations complaints filed.	200	30				30	15%	120
Number of reparation complaints forwarded for hearing as cases.	159	40				40	25%	130
Number of appeal cases decided during the FY that were decided within six months.	5	0				0	0	5
Number of customer complaints resolved in fiscal year within one year of filing date.	TBD	N/A				N/A	N/A	N/A
Number of appeals resolved.	18	3				3	17%	12

Goal Three: Foster open, competitive, and financially sound markets.

Outcome Objective 3.1: *Ensure sound financial practices of clearing organizations and firms holding customer funds. (Activities 3.1.1 through 3.1.5)*

Annual Performance Goal: No loss of customer funds as a result of firms' failure to adhere to regulations. No customers prevented from transferring funds from failing firms to sound firms.

Activity 3.1.1: Promulgate regulations to ensure sound business, financial, and sales practices in firms participating in the commodities industry.

Activity 3.1.1 Output Measures:	FY 2000 Target	Qtr. 1 Actual	Qtr. 2 Actual	Qtr. 3 Actual	Qtr. 4 Actual	Total To Date	% To Date	Year-End Projection
Number of firms required to transfer customer accounts.	TBD	0				0	N/A	N/A
Amount of customer funds lost.	TBD	0				0	N/A	N/A

Activity 3.1.2: Review and oversee self-regulatory organization audit and financial practices.

Activity 3.1.2 Output Measures:	FY 2000 Target	Qtr. 1 Actual	Qtr. 2 Actual	Qtr. 3 Actual	Qtr. 4 Actual	Total To Date	% To Date	Year-End Projection
Number of oversight audits.	60	12				12	20%	48
Number of financial investigative reviews.	10	0				0	0%	10
Number of financial reports processed.	5,000	808				808	16%	3,232
Number of financial reports resulting in follow-up investigations.	200	0				0	0	200

Analysis of Annual Performance Statistics By Agency Goal: *First Quarter, 2000*

Goal Three: Foster open, competitive, and financially sound markets.

Outcome Objective 3.1 (Cont'd.)

Activity 3.1.3: Identify and investigate possible financial, capitalization, segregation, and supervision violations for possible prosecution.

Activity 3.1.3 Output Measures:	FY 2000 Target	Qtr. 1 Actual	Qtr. 2 Actual	Qtr. 3 Actual	Qtr. 4 Actual	Total To Date	% To Date	Year-End Projection
Number of such investigations opened during the quarter.*	15	2				2	13%	15
Total number of such investigations closed or resulting in CFTC enforcement action during the quarter.	TBD	6				6	N/A	N/A
Number of such investigations closed or resulting in CFTC enforcement action within one year of the opening of the investigation.	7	3				3	43%	7
Number of such investigations pending at the close of the quarter.	TBD	19				N/A	N/A	N/A
*Individual Enforcement investigations and cases frequently concern issues that span more than one strategic goal. Accordingly, all performance indicators are reflected in each outcome objective achieved through the course of a matter. So, for example, if a case is filed which contains allegations of trade practice violations as well as supervision failures, any performance indicators associated with the case will be reflected in the appropriate places under Goals One, Two, and Three.								

Activity 3.1.4: Bring cases concerning financial, capitalization, segregation, and supervision violations.

Activity 3.1.4 Output Measures:	FY 2000 Target	Qtr. 1 Actual	Qtr. 2 Actual	Qtr. 3 Actual	Qtr. 4 Actual	Total To Date	% To Date	Year-End Projection
Total number of such cases filed during the quarter.	10	1				1	10%	10
Number of such cases filed within one year of the opening of the relevant investigation.	TBD	0				0	N/A	N/A
Number of such cases pending at the close of the quarter.	TBD	24				N/A	N/A	N/A

Activity 3.1.5: Sanction violators.*

Activity 3.1.5 Output Measures:	FY 2000 Target	Qtr. 1 Actual	Qtr. 2 Actual	Qtr. 3 Actual	Qtr. 4 Actual	Total To Date	% To Date	Year-End Projection
Amount of disgorgement and restitution ordered.	\$0	\$114,204				\$114,204	N/A	\$114,204
Amount of civil monetary penalties ordered.	\$1,000,000	\$500,000				\$500,000	50%	\$1,000,000
Number of cease and desist orders.	8	2				2	25%	8
Number of respondents/defendants whose registrations were ordered restricted.	6	2				2	33%	6
Amount of civil monetary penalties collected	TBD	0				0	N/A	N/A
Amount of disgorgement or restitution money paid.	TBD	0				0	N/A	N/A

* This Quarterly Performance review only reflects sanctions which have become final by the close of the reporting quarter. Thus, the performance indicators reported here include only sanctions in settled matters; unappealed decisions of the Commission, US District Courts, or US Circuit Courts of Appeals; and decisions of the US Supreme Court.

COMMODITY FUTURES TRADING COMMISSION: QUARTERLY PERFORMANCE REVIEW

Outcome Objective 3.2: Promote and enhance effective self-regulation of the commodity futures and option markets. (Activities 3.2.1 through 3.2.6)

Annual Performance Goal: No loss of customer funds resulting from failure of self-regulatory organizations to ensure compliance with its rules.

Activity 3.2.1: Review and approve self-regulatory organization rules and rule amendments

Activity 3.2.1 Output Measures:	FY 2000 Target	Qtr. 1 Actual	Qtr. 2 Actual	Qtr. 3 Actual	Qtr. 4 Actual	Total To Date	% To Date	Year-End Projection
Number of SRO rule submissions reviewed.	440	67				67	15%	268
Number of SRO rule amendments reviewed.	680	151				151	22%	604

Activity 3.2.2: Conduct rule enforcement reviews of self-regulatory organizations (financial practices, sales practices, trade practices, and audit trail).

Activity 3.2.2 Output Measures:	FY 2000 Target	Qtr. 1 Actual	Qtr. 2 Actual	Qtr. 3 Actual	Qtr. 4 Actual	Total To Date	% To Date	Year-End Projection
Number of rule enforcement reviews conducted.	7	0				0	0%	7
Number of rule enforcement recommendations for improvement made.	TBD	0				0	N/A	N/A

Activity 3.2.3: Review and oversee self-regulatory organization audit and financial practices.
See Activity 3.1.2 for annual targets.

Activity 3.2.3 Output Measures:	FY 2000 Target	Qtr. 1 Actual	Qtr. 2 Actual	Qtr. 3 Actual	Qtr. 4 Actual	Total To Date	% To Date	Year-End Projection
Number of oversight audits.	60	0				0	0%	60
Number of financial investigative reviews.	10	0				0	0%	10
Number of financial reports processed.	5,000	0				0	0%	5000
Number of financial reports resulting in follow-up investigation.	200	0				0	0%	200

Activity 3.2.4: Review adequacy of self-regulatory organization disciplinary actions.

Activity 3.2.4 Output Measures:	FY 2000 Target	Qtr. 1 Actual	Qtr. 2 Actual	Qtr. 3 Actual	Qtr. 4 Actual	Total To Date	% To Date	Year-End Projection
Number of self-regulatory disciplinary actions reviewed.	620	219				219	35%	620

Activity 3.2.5: Conduct direct audits of clearing organizations and firms handling customer money to ensure compliance with capitalization and segregation rules.

Activity 3.2.5 Output Measures:	FY 2000 Target	Qtr. 1 Actual	Qtr. 2 Actual	Qtr. 3 Actual	Qtr. 4 Actual	Total To Date	% To Date	Year-End Projection
Number of direct audits of clearing organizations and firms handling customer money.	26	10				10	38%	40
Number of audited clearing organizations in compliance with capitalization and segregation rules.	TBD	1				1	N/A	N/A

Analysis of Annual Performance Statistics By Agency Goal: *First Quarter, 2000***Goal Three: Foster open, competitive, and financially sound markets.*****Outcome Objective 3.2. (Cont'd.)***

Activity 3.2.6: Promulgate regulations to ensure effective self-regulation by exchanges, clearing organizations, and registered futures associations.

Activity 3.2.6 Output Measures:	FY 2000 Target	Qtr. 1 Actual	Qtr. 2 Actual	Qtr. 3 Actual	Qtr. 4 Actual	Total To Date	% To Date	Year-End Projection
Number of newly promulgated CFTC regulations requiring SRO implementation.	18	1				1	6%	18

Analysis of Annual Performance Statistics By Agency Goal: *First Quarter, 2000***Goal Three: Foster open, competitive, and financially sound markets.*****Outcome Objective 3.3: Facilitate the continued development of an effective, flexible regulatory environment responsive to evolving market conditions. (Activities 3.3.1 through 3.3.5)***

Annual Performance Goal: All requests for information sharing under agreements honored, and new agreements pursued as warranted. All requests for relief responded to within Commission guidelines.

Activity 3.3.1: Coordinate and cooperate with global financial services regulators to share vital information concerning markets, intermediaries, and regulatory structure.

Activity 3.3.1 Output Measures:	FY 2000 Target	Qtr. 1 Actual	Qtr. 2 Actual	Qtr. 3 Actual	Qtr. 4 Actual	Total To Date	% To Date	Year-End Projection
Number of requests from foreign authorities received.	160	63				63	39%	252
Number of requests from foreign authorities honored by CFTC.	TBD	63				63	N/A	N/A
Number of requests made to foreign authorities.	110	20				20	18%	80
Number of CFTC requests honored by foreign authorities.	TBD	18				18	N/A	N/A
Average response time.	TBD	7 days					N/A	N/A

Activity 3.3.2: Coordinate and cooperate with global financial services regulators to develop appropriate global standards and arrangements in the commodities industry as markets emerge and evolve.

Activity 3.3.2 Output Measures:	FY 2000 Target	Qtr. 1 Actual	Qtr. 2 Actual	Qtr. 3 Actual	Qtr. 4 Actual	Total To Date	% To Date	Year-End Projection
Number of global standards, arrangements or initiatives developed.	As needed	0					N/A	N/A
Number of global standards, arrangements or initiatives adopted.	As needed	0					N/A	N/A

Activity 3.3.3: Participate in the International Organizations of Securities Commissions and represent the Commission at international meetings concerning commodity regulation.

Activity 3.3.3 Output Measures:	FY 2000 Target	Qtr. 1 Actual	Qtr. 2 Actual	Qtr. 3 Actual	Qtr. 4 Actual	Total To Date	% To Date	Year-End Projection
Number of IOSCO and related international meetings held.	As needed	8				8	N/A	N/A
Number of IOSCO and related international meetings attended by CFTC.	As needed	8				8	N/A	N/A

Analysis of Annual Performance Statistics By Agency Goal: *First Quarter, 2000*

Goal Three: Foster open, competitive, and financially sound markets.

Outcome Objective 3.3. (Cont'd.)

Activity 3.3.4: Participate in the President's Working Group on Financial Markets to ensure coordination of information and efforts among US financial regulators.
See Activity 1.2.1 for annual targets.

Activity 3.3.5: Provide exemptive, Interpretive, or other relief as appropriate to foster the development of innovative transactions, trading systems, and similar arrangements.

Activity 3.3.5 Output Measures:	FY 2000 Target	Qtr. 1 Actual	Qtr. 2 Actual	Qtr. 3 Actual	Qtr. 4 Actual	Total To Date	% To Date	Year-End Projection
Number of requests for exemptive, interpretive, or other relief.	330	63				63	19%	330
Number of CFTC responses to such requests.	297	5				5	2%	297
Average response time.	6 weeks	6 wks				N/A	N/A	6 wks

Analysis of Annual Performance Statistics By Agency Goal: *First Quarter, 2000*

Goal Three: Foster open, competitive, and financially sound markets.

Outcome Objective 3.4: Promote markets free of trade practice abuses. (Activities 3.4.1 through 3.4.4)

Annual Performance Goal: No trade practice abuses.

Activity 3.4.1: Identify possible trade practice violations for investigation and possible enforcement proceedings.

Activity 3.4.1 Output Measures:	FY 2000 Target	Qtr. 1 Actual	Qtr. 2 Actual	Qtr. 3 Actual	Qtr. 4 Actual	Total To Date	% To Date	Year-End Projection
Number of trade practice investigations completed.	TBD	15				15	N/A	N/A
Number of possible trade practice violations referred to SROs and to Division of Enforcement for investigation.	21	5				5	24%	20

Activity 3.4.2: Investigate possible trade practice violations.

Activity 3.4.2 Output Measures:	FY 2000 Target	Qtr. 1 Actual	Qtr. 2 Actual	Qtr. 3 Actual	Qtr. 4 Actual	Total To Date	% To Date	Year-End Projection
Number of such investigations opened during the quarter.	10	4				4	40%	10
Total number of investigations closed or resulting in enforcement actions during the quarter.	6	2				2	33%	6
Number of investigations closed or resulting in enforcement action within one year of opening such investigations.	TBD	1				1	N/A	N/A
Number of investigations pending at the close of the quarter.	TBD	21				N/A	N/A	N/A

Analysis of Annual Performance Statistics By Agency Goal: *First Quarter, 2000***Goal Three: Foster open, competitive, and financially sound markets.*****Outcome Objective 3.4. (Cont'd.)*****Activity 3.4.3: Bring cases concerning trade practice violations.**

Activity 3.4.3 Output Measures:	FY 2000 Target	Qtr. 1 Actual	Qtr. 2 Actual	Qtr. 3 Actual	Qtr. 4 Actual	Total To Date	% To Date	Year-End Projection
Total number of such cases filed during the quarter.	1	2				2	200%	2
Number of such cases filed within one year of the opening of the relevant investigation.	TBD	2				2	N/A	N/A
Number of such cases completed during the quarter.	2	1				1	50%	2
Number of such cases pending at the close of the quarter.	9	12				N/A	N/A	12

Activity 3.4.4: Bring enforcement proceedings against violators.

Activity 3.4.4 Output Measures:	FY 2000 Target	Qtr. 1 Actual	Qtr. 2 Actual	Qtr. 3 Actual	Qtr. 4 Actual	Total To Date	% To Date	Year-End Projection
Number of <i>ex parte</i> restraining orders granted.	0	0				0	0%	0
Number of preliminary injunctions obtained.	0	0				0	0%	0
Number of permanent injunctions obtained.	0	1				1	0%	1
Amount of restitution and disgorgement granted.	\$0	\$6,000,000				\$6,000,000	N/A	\$6,000,000
Amount of civil monetary penalties granted.	\$525,000	\$625,000				\$625,000	119%	\$625,000
Number of cease and desist orders obtained.	1	3				3	300%	3
Number of requests for registration restrictions granted.	2	2				2	100%	2
Number of requests for trading prohibitions granted.	2	3				3	150%	3